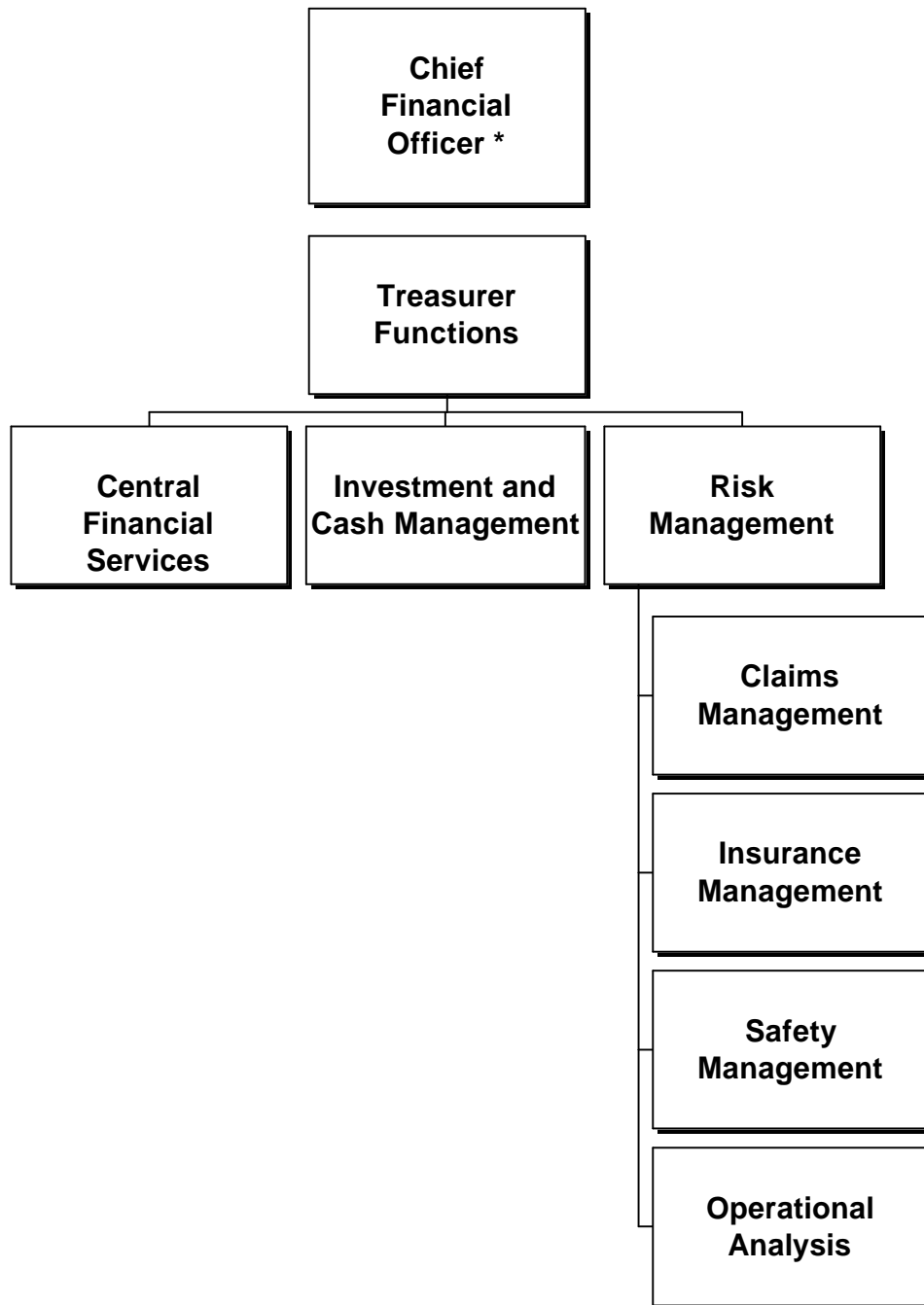


FUND 501, COUNTY INSURANCE FUND



* The Chief Financial Officer has responsibility for strategic direction and oversight of this agency; however, for budget purposes, that position and associated funding are reflected within the Department of Management and Budget.

FUND 501

COUNTY INSURANCE FUND

Agency Position Summary

Fund 001:	72	Regular Positions	/	72.0	Regular Staff Years
Fund 501:	<u>13</u>	Regular Positions	/	<u>13.0</u>	Regular Staff Years
	85	Total Positions	/	85.0	Total Staff Years

Position Detail Information

TREASURER FUNCTIONS

1	Director
2	Deputy Directors
1	Management Analyst III
1	Administrative Assistant V
1	Administrative Assistant IV
2	Administrative Assistants III
1	Administrative Assistant II
1	Network Analyst III
1	Network Analyst I
<u>1</u>	Administrative Associate
12	Positions
12.0	Staff Years

CENTRAL FINANCIAL SERVICES

5	Chiefs Finance Division
1	Management Analyst IV
1	Management Analyst III
8	Accountants III
13	Accountants II
1	Accountant I
4	Administrative Assistants V
3	Administrative Assistants IV
9	Administrative Assistants III
2	Administrative Assistants II
3	Administrative Associates
2	Business Analysts III
1	Business Analyst II
<u>2</u>	Business Analysts I
55	Positions
55.0	Staff Years

INVESTMENTS AND CASH MANAGEMENT

1	Investment Manager
3	Investment Analysts
<u>1</u>	Administrative Assistant II
5	Positions
5.0	Staff Years

RISK MANAGEMENT

1	<i>Risk Manager</i>
<u>1</u>	<i>Administrative Assistant IV</i>
2	<i>Positions</i>
2.0	<i>Staff Years</i>

Insurance Management

1	<i>Insurance Manager</i>
1	<i>Position</i>
1.0	<i>Staff Year</i>

Claims Management

1	<i>Claims Manager</i>
1	<i>Claims and Rehabilitation Supervisor</i>
1	<i>Rehabilitation Specialist</i>
2	<i>Claims Specialists</i>
<u>1</u>	<i>Administrative Assistant III</i>
6	<i>Positions</i>
6.0	<i>Staff Years</i>

Employee Safety

1	<i>Safety Manager</i>
<u>1</u>	<i>Safety Analyst</i>
2	<i>Positions</i>
2.0	<i>Staff Years</i>

Operational Analysis

1	<i>Risk Analyst</i>
<u>1</u>	<i>Management Analyst II</i>
2	<i>Positions</i>
2.0	<i>Staff Year</i>

Positions shown in italics are funded in Fund 501, County Insurance Fund.

FUND 501

COUNTY INSURANCE FUND

Agency Mission

To monitor risk and loss exposures associated with Workers' Compensation and other liabilities, maintain liability insurance or self-insurance funding reserves, and conduct safety and loss prevention programs for County agencies in order to minimize risk and loss potential.

Agency Summary					
Category	FY 2002 Actual	FY 2003 Adopted Budget Plan	FY 2003 Revised Budget Plan	FY 2004 Advertised Budget Plan	FY 2004 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	13/ 13	13/ 13	13/ 13	13/ 13	13/ 13
Expenditures:					
Personnel Services	\$792,762	\$948,678	\$948,678	\$986,721	\$980,618
Operating Expenses	11,025,064	9,564,108	12,098,108	9,904,948	9,904,948
Capital Equipment	0	0	0	0	0
Subtotal	\$11,817,826	\$10,512,786	\$13,046,786	\$10,891,669	\$10,885,566
Less:					
Recovered Costs	(\$1,069,015)	(\$473,348)	(\$473,348)	(\$360,986)	(\$360,986)
Total Expenditures	\$10,748,811	\$10,039,438	\$12,573,438	\$10,530,683	\$10,524,580

Summary by Cost Center					
Category	FY 2002 Actual	FY 2003 Adopted Budget Plan	FY 2003 Revised Budget Plan	FY 2004 Advertised Budget Plan	FY 2004 Adopted Budget Plan
Risk Management	\$931,980	\$1,066,381	\$1,066,381	\$1,112,166	\$1,106,063
Self-Insured Risks	7,391,885	6,439,357	8,730,863	6,642,323	6,642,323
Commercially Insured Risks	2,424,946	2,533,700	2,776,194	2,776,194	2,776,194
Total Expenditures	\$10,748,811	\$10,039,438	\$12,573,438	\$10,530,683	\$10,524,580

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2004 Advertised Budget Plan, as approved by the Board of Supervisors on April 28, 2003:

- ◆ A net decrease of \$6,103 reflects reduced funding for the Pay for Performance program. Based on the approved 25 percent reduction, the FY 2004 program will result in reductions in the increases employees will receive based on their performance rating, capping employees to a maximum of 5.25 percent. This adjustment leaves in place the Pay for Performance program in preparation for system redesign for FY 2005.

The following funding adjustments reflect all approved changes to the FY 2003 Revised Budget Plan from January 1, 2003 through April 21, 2003. Included are all adjustments made as part of the FY 2003 Third Quarter Review:

- ◆ A net increase of \$1,000,000, including an increase of \$222,960 in Workers' Compensation, and an increase of \$777,040 in Self Insurance to meet anticipated increases and rising claim costs. The increase of \$222,960 in Workers' Compensation is a result of several significant medical claims resulting in long-term disability and extensive medical treatment. Self Insurance losses are increasing \$777,040 as a result of current automobile liability claims, significant flood claims and several large first party property losses.

FUND 501

COUNTY INSURANCE FUND

County Executive Proposed FY 2004 Advertised Budget Plan

Purpose

Fairfax County has a statutory responsibility to provide Workers' Compensation benefits, including medical treatment and loss of wages due to related disability, to employees who sustain occupational injuries and illnesses. The County Insurance Fund was established to fulfill this obligation. The Fund also provides countywide commercial insurance and self-insurance. The County self-insures automobile and general liability claims. Special commercial coverage is provided for activation insurance on the County helicopters, real property coverage, and Fire and Rescue Department vehicle damage insurance. Administrative expenses of risk management programs are paid through this Fund.

The County Insurance Fund comprises four major programs - Claims Management, Insurance Management, Employee Safety, and Operational Analysis. The Claims Management Program monitors the progress of all County claims by providing the necessary coordination with the claims service companies and various County agencies. It internally administers self-insured claims such as public officials and police professional liabilities, real property, vehicle collision and comprehensive claims. The Insurance Management Program evaluates and determines the most cost-effective manner of providing insurance against County liabilities posed by the various operational risks. The Employee Safety Program evaluates workplace hazards and recommends appropriate controls for abatement to minimize exposure of employees and other personnel, thus contributing to reduced claims. The Operational Analysis Program assesses operational risks and determines methods of treatment and mitigation.

Key Accomplishments

- ◆ Project leader for County's Automated External Defibrillator Pilot Program for the Government Center complex. Project involved a collaborative effort of four agencies: Fire and Rescue Department, Facilities Management Division, Health Department, and Risk Management.
- ◆ Co-leader of committee responsible for development of County's Emergency Management Response program. Developed policies and procedures, agency training, and program documentation.
- ◆ Implemented a workplace ergonomics strategy and process for the County, including the development and coordination of an Office Ergonomics Assessment procedure.
- ◆ Expanded the Health and Wellness Education series for County employees with a new focus on interactive sessions.
- ◆ Created a Safety Committee with representatives from multiple agencies. The committee develops or enhances safety programs such as defensive driving techniques, distraction reduction training, equipment usage, and numerous workplace safety issues.
- ◆ Developed a relational database to consolidate the tracking of County property for insurance purposes, tracking of Automated External Defibrillators, and the cadre of Emergency Action Coordinators.
- ◆ Implemented a telephonic reporting system for workers' compensation claims which significantly reduced the reporting time for employees injured on the job.
- ◆ Expanded the existing Risk Management web site to enhance content and improve customer service.

FUND 501

COUNTY INSURANCE FUND

FY 2004 Initiatives

- ◆ Develop a Drivers Training program with fully qualified instructors to improve the skills of County drivers.
- ◆ Expand the property database to coordinate information flow with the County GIS system.
- ◆ Revise the current Risk Management Manual to provide up-to-date information on County policies and to expand assistance to customers.

Performance Measurement Results

In FY 2002, The Risk Management Division continues to achieve its performance goal of processing 90 percent of all claims within 30 business days of the incident and achieving agency compliance with 75 percent of recommended safety improvements resulting from completed safety inspections.

The average claims processing time in FY 2002 was 14 days, an 18 percent improvement over FY 2001 and exceeding the goal by 1 day of reporting time. The Division anticipates this number will drop even lower now that telephonic reporting is available to all County agencies. The Division processed 93 percent of the claims within the 30 day goal. The Division projects that it will meet its goal of processing 90 percent of all claims within 30 days in FY 2003 and FY 2004.

Funding Adjustments

The following funding adjustments from the FY 2003 Revised Budget Plan are necessary to support the FY 2004 program:

- ◆ An increase of \$38,043 in Personnel Services associated with salary adjustments necessary to support the County's compensation program.
- ◆ A net decrease of \$1,193,160 in Operating Expenses is primarily attributable to a decrease of costs associated with self-insured risks.
- ◆ A net decrease of \$112,362 in Recovered Costs is primarily due to discounts being applied directly to the underlying medical costs, with reports now showing the actual net costs incurred. With reclassification of these discounts, Recovered Costs decrease by \$112,362. A compensating decrease is reflected in Worker's Compensation medical expenses.

The following funding adjustments reflect all approved changes to the FY 2003 Revised Budget Plan since passage of the FY 2003 Adopted Budget Plan. Included are all adjustments made as part of the FY 2002 Carryover Review and all other approved changes through December 31, 2002:

- ◆ A net increase of \$1,534,000 including \$541,506 to support increasing Worker's Compensation claims consistent with FY 2002 actual levels, \$750,000 as an estimate for additional requirements for self- insurance losses based on automobile and general liability claims which will be filed during FY 2003, and \$242,494 to provide for up to 10 percent in additional increases over FY 2002 levels for insurance premiums due to the continued volatility of the commercial insurance market. These increases are funded through increased County General Fund payments for Workers Compensation and Other Insurance.

FUND 501

COUNTY INSURANCE FUND

The following tables identify funding for each self-insured and commercially insured line of coverage:

Policy	FY 2003	FY 2004
Workers Compensation Claims Service Fee ¹	\$992,261	\$464,278
Workers' Compensation Administration	20,000	20,000
Workers' Compensation Rehabilitation Claims	130,000	141,931
Workers' Compensation Medical Claims	2,677,000	2,566,409
Workers' Compensation Indemnity Claims	1,725,000	1,976,296
Workers' Compensation Subrogation ²	(375,025)	(140,400)
Workers' Compensation Tax	165,000	165,000
Subtotal Workers' Compensation	\$5,334,236	\$5,193,514
Automobile Liability Claims Service Fee ³	\$851,739	\$104,791
Automobile Liability Administrative Expense	6,000	9,523
Automobile Liability Bodily Injury Claims	165,000	132,893
Automobile Liability Property Damage Claims	375,000	319,716
Automobile Liability Subrogation Claims Service	24,108	24,831
Automobile Liability Subrogation Recovery ⁴	(98,323)	(220,586)
Automobile Physical Damage Claim	640,000	640,000
General Liability Claims Service Fee	96,103	98,986
General Liability Administrative Expense	2,000	2,000
General Liability Bodily Injury Claims	15,000	16,655
General Liability Property Damage Claims	85,000	85,000
Police Professional Liability Claims	50,000	50,000
Public Officials Liability Claims	85,000	85,000
Property Perils Damage	100,000	100,000
Subtotal Other Self-Insurance	\$2,396,627	\$1,448,809
Total Self-Insurance	\$7,730,863	\$6,642,323

¹ The actual budget for FY 2003 claims service fee is \$450,755. Additional funds have been added to this line item in order to offset anticipated expenses in workers' compensation.

² In the past, workers' compensation subrogation has included monies recovered through the medical cost containment program. These savings were retained by the Third Party Administrator (TPA) and given back to the County on a quarterly basis. This practice was discounted and now those savings are realized as they occur.

³ The actual budget for the FY 2003 claims service is \$101,739. Additional funds have been added to this line item in order to offset anticipated expenses in the self-insurance program.

⁴ The Fund has experienced much higher automobile subrogation recoveries over the past few years than the current budget. They are now increasing that line item so it is more in line with past experience.

FUND 501

COUNTY INSURANCE FUND

Commercially-Insured Lines of Coverage

Policy	FY 2003 Estimate	FY 2004 Estimate
Property Perils Premium	\$1,030,000	\$1,100,000
Aviation (Helicopter) Premium	268,000	268,000
Boiler and Machinery	24,000	29,000
Volunteer Casualty Premium	80,000	88,000
Fire and Rescue Vehicle Premium	290,700	290,700
Volunteer Firefighter and Auxiliary Police Accidental Death and Dismemberment Premium	47,000	53,000
Faithful Performance Bonds ⁵	5,000	22,000
Medical Malpractice Liability Premium	38,000	38,000
Excess Catastrophic	802,494	699,193
Commercial Marine Premium	5,000	6,800
Employee Day Care Accidental and Death	2,500	15,875
Miscellaneous Liability Policies ⁶	N/A	68,000
Park and Ride Liability Insurance	5,000	N/A
Inland Marine Premium ⁷	50,000	N/A
Valuable Papers Premium	50,500	N/A
Crime (Monies and Securities) Premium ⁸	15,000	97,626
Public Employees Blanket Bond ⁸	58,000	N/A
General Liability Claims Service Fee	5,000	N/A
Total Commercially-Insured	\$2,776,194	\$2,776,194

⁵ This increase reflects an increase in the premium for the Faithful Performance Bonds of the County Executive, Director of Finance and Director of Tax Administration. These three individuals are specifically excluded from coverage under the Crime (Monies and Securities) Policy.

⁶ Fund is now combining several of the smaller liability policies into one line item to simplify the budget tracking process. These will include the Park & Ride Liability Insurance (note the next line item), Fastrans Automobile Comprehensive Policy, EDA Business Owner's Policy, DFS Foster Care Drivers and several others.

⁷ The Inland Marine and Valuable Papers premiums are now incorporated into the County's Property Perils Policy.

⁸ The Public Employees Blanket Bond is no longer in effect. This coverage now falls under the Crime (Monies and Securities) Policy.

Performance Measures

Objectives

- ◆ To process 90 percent of all claims within 30 business days from date of incident.
- ◆ To achieve agency compliance with 75 percent of recommended improvements as a result of safety inspections.
- ◆ To assure that no less than 90 percent of the County's insurable assets are inventoried and insured.
- ◆ To achieve agency implementation of 75 percent of risk analysis/assessment recommendations.

FUND 501

COUNTY INSURANCE FUND

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2000 Actual	FY 2001 Actual	FY 2002 Estimate/Actual	FY 2003	FY 2004
Output:					
Claims requiring investigation	1,960	2,288	2,050 / 2,283	2,100	2,200
Inspection reports produced and disseminated	176	203	210 / 230	215	215
Insurable asset submissions to insurance companies	42	44	45 / 47	45	45
Risk assessments conducted	75	77	81 / 135	83	130
Efficiency:					
Cost per claim processed	\$122	\$117	\$123 / \$114	\$123	\$131
Cost per safety inspection report (1)	\$172	\$176	\$175 / \$167	\$175	\$190
Cost per insurable asset submitted to insurance company	\$266	\$265	\$260 / \$237	\$260	\$260
Cost per risk assessment (2)	\$205	\$206	\$208 / \$139	\$208	\$233
Service Quality:					
Average claims processing time (days)	17	17	15 / 14	15	15
Percent of reports disseminated within ten days of inspection	99%	99%	95% / 97%	95%	95%
Percent of assets inventoried and insured within ten days of policy renewal	91%	91%	94% / 96%	94%	94%
Percent of risk assessments conducted within three days of request	75%	75%	75% / 80%	75%	75%
Outcome:					
Percent of claims processed within 30 days	92%	92%	90% / 93%	90%	90%
Percent improvements implemented as a result of the safety inspection	77%	77%	77% / 80%	75%	75%
Percent insurable asset reports to insurance companies within ten percent of insurable assets reported by agencies during inventory	95%	95%	96% / 94%	90%	90%
Percent of risk analysis recommendations implemented by user agencies	75%	75%	80% / 80%	75%	75%

(1) The actual costs in cost per safety inspection report were reduced during FY 2002 due to a position vacancy. The position is expected to be filled during FY 2003. In addition, a Risk Specialist (added in FY 2002) is included for FY 2004. As a result, the anticipated costs for FY 2004 have increased.

(2) The Fund shows an increase in the cost per risk assessment due to an increase in salaries.

FUND 501 COUNTY INSURANCE FUND

FUND STATEMENT

Fund Type G50, Internal Service Funds

Fund 501, County Insurance Fund

	FY 2002 Actual	FY 2003 Adopted Budget Plan	FY 2003 Revised Budget Plan	FY 2004 Advertised Budget Plan	FY 2004 Adopted Budget Plan
Beginning Balance	\$30,008,882	\$26,475,823	\$25,050,709	\$24,860,648	\$24,860,648
Revenue:					
Interest	\$622,986	\$714,398	\$532,390	\$577,688	\$577,688
Workers' Compensation	2,906,890	6,651,074	8,430,373	7,051,858	7,045,755
Other Insurance	2,260,762	1,651,080	3,420,614	2,531,446	2,531,446
Total Revenue	\$5,790,638	\$9,016,552	\$12,383,377	\$10,160,992	\$10,154,889
Total Available	\$35,799,520	\$35,492,375	\$37,434,086	\$35,021,640	\$35,015,537
Expenditures:					
Administration	\$931,980	\$1,066,381	\$1,066,381	\$1,112,166	\$1,106,063
Workers' Compensation	5,334,236	4,792,730	5,557,196	5,193,514	5,193,514
Self Insurance Losses ¹	1,465,360	1,646,627	3,173,667	1,448,809	1,448,809
Commercial Insurance Premium	2,424,946	2,533,700	2,776,194	2,776,194	2,776,194
Subtotal Expenditures	\$10,156,522	\$10,039,438	\$12,573,438	\$10,530,683	\$10,524,580
Expense for Net Change in Accrued Liability ²	\$592,289	\$0	\$0	\$0	\$0
Total Expenditures	\$10,748,811	\$10,039,438	\$12,573,438	\$10,530,683	\$10,524,580
Total Disbursements	\$10,748,811	\$10,039,438	\$12,573,438	\$10,530,683	\$10,524,580
Ending Balance	\$25,050,709	\$25,452,937	\$24,860,648	\$24,490,957	\$24,490,957
Restricted Reserves:					
Accrued Liability	\$19,396,847	\$19,756,538	\$19,756,538	\$19,396,847	\$19,396,847
PC Replacement Reserve	7,200	7,200	7,200	7,200	7,200
Reserve for Catastrophic Occurrences	5,646,662	5,689,199	5,096,910	5,086,910	5,086,910

¹ During FY 2003, the County Insurance Fund is anticipating several large value claims being resolved within the self-insurance losses. The Fund does not anticipate a similar number of losses being resolved in FY 2004. For this reason, there is a significant reduction in the amount of funds being budgeted for those line items.

² FY 2002 actuals have been updated to reflect all FY 2002 audit adjustments. These changes include an expenditure increase of \$592,289 due to the net change in accrued liabilities (value of outstanding claims) based on an annual independent actuarial valuation. This adjustment results in a corresponding adjustment to the total Accrued Liability Ending Balance and Unreserved Balance.